

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

June 24, 2002

4:30 PM

In the absence of Chairman Shea, Clerk Bernier called the meeting to order.

On motion of Alderman Thibault, duly seconded by Alderman Lopez, it was voted to name Alderman Smith Chairman pro-tem.

The Clerk called the roll.

Present: Aldermen Guinta (arrived late), Smith, Thibault, Lopez

Absent: Alderman Shea

Messrs.: Tom Arnold, Guy Beloin, Kevin Buckley, Robin Descoteaux,
Kevin Dillon, Randy Sherman, Steve Tellier, Sharon Wickens

Chairman Smith addressed item 3 of the agenda:

3. Communication from Dennis Anctil of the Highway Department submitting a proposed ordinance amendment to Chapter 52: Sewers relative to off-site sewer improvement cost recovery fees.
(Note: forwarded to Committee for consideration as to whether a public hearing should be held.)

Alderman Lopez asked we don't have to have a public hearing on this, correct?

Clerk Bernier replied I would say no.

Alderman Lopez moved that no public hearing be held. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Alderman Lopez moved to recommend that the proposed ordinance amendment be referred to the Committee on Bills on Second Reading for technical review. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Chairman Smith addressed item 4 of the agenda:

4. Various reports submitted by the Board of Assessors as follows:
 - a) update of tax base;
 - b) status of overlay;
 - c) status of outstanding abatements;
 - d) status of tax appeals; and
 - e) status of exemptions and payment in lieu of taxes.

Alderman Lopez moved to accept the reports of the Board of Assessors.
Alderman Thibault duly seconded the motion.

Alderman Lopez in reference to net valuations stated for the record, I just want to make sure that I know what I'm talking about. The net valuation of \$5,259,665,766 dated 5/22/02...for the 2003 budget we added \$25 million to the \$5 million to have five million one hundred eighty...five billion we used as a figure, five billion one eighty 060 that would mean in my calculations and utilizing these numbers that we're down \$47 million because we added \$25 million for the tax rate for 2003, is that correct?

Mr. Tellier replied that's correct.

Alderman Lopez stated in looking at that when we did the budget in adding \$25 million, we now have to make up \$47 million in order to reach our tax rate as we indicated before.

Mr. Tellier replied that is correct, however, just as an adjunct to that comment... that's not unusual to be down at this early juncture of the year. We're in the midst, right now, of collecting all the new construction that is still out there. Your observations are correct, we're \$47 million down from the estimated tax base used in the adopted budget. Now for every \$10 million it equates to approximately \$.05 on the rate.

Alderman Lopez stated taking that into consideration and looking at the appeal process that you have which is \$716 million under appeal, is that correct.

Mr. Tellier replied that's correct.

Alderman Lopez stated taking all of that into consideration since we added \$25 million does the Board of Assessors still indicate that we're going to make that \$25 million plus what we lost.

Mr. Tellier replied when we gave the estimate, the estimate that we gave was in February. In the early part of the season around April we still felt that we may make that projection. At this point now, we're not sure. However, again, for every \$10 million in assessment it is a large number in assessment but it equates to \$.05 on the rate. So, even if we only meet, if we stayed flat at last year's that would only mean \$20 million and that's a dime (\$.10). So, I am not discounting it nor am I trying to trivialize it. A lot of nickels add up to a dollar, but just so that everyone recognizes...a million dollars in cash equates to about \$.19, but \$10 million in assessment is a nickel.

Alderman Lopez stated just to note of the possibility that we might not make it...we're going to have to watch this thing very, very carefully which leads to my next question on the abatement. Looking at the abatements where you have so much money put aside (\$1.4 million) left in that abatement account, if we keep fluctuating that \$47 million could go up higher to \$75 or \$100 million by the time we get done with it...the major question on the report, on the abatement appeals... what I was trying to figure out...is it possible to do a complete report withdrawing the homes out of there in a separate report for the businesses and could this be done by date because I note that in the appeal process here you have December and then jump to March and then jump to January and February and so on.

Mr. Tellier replied we have the ability to sort it in any way that you want, Alderman, we'd be happy to accommodate whatever you're looking for.

Alderman Lopez stated I think if you would separate the housing, the homes... my opinion anyway would be to separate the homes and put it on a separate sheet of paper by date so that the Assessors could work that very good and keep the businesses separate and I think that it would help and try to look at it as something that we can look at without trying to find something.

Mr. Tellier stated that is something we could certainly do for you.

Alderman Thibault asked what's the reason why you don't think you're going to meet your projections?

Mr. Tellier replied several different factors. One is there isn't a lot of construction out there, there just isn't. There's a lot of stuff being talked about, some stuff on the books, but a lot of the construction that is out there is replacing existing structures so what you've got is...it may seem that you have a new building, but it's replacing a serviceable older building and the land remains static and you might pick up a little bit from the improvement, but you still had an older building that was on there as an assessment. So, you're not picking up a lot of new stuff.

Now, we've got stuff on Countryside Village Road...there's 170 new homes slated for next year that you folks have been informed of. There's an approximate 380-unit apartment building complex going in out there, you have different zoning avenues, I know that Shaw's is looking at separating out and they're talking about some Class A and Class B office space there as well, but a lot of new construction that's talked about is still a year or two before it's realized on the books. We're using an April 1st tax date and the window of construction is primarily pre-April 1st and it goes through the summer and it's a very, very close construction window. So, your question was why might we not reach the \$20 to \$25 and the biggest reason is we have over \$700 million in assessment under appeal. We're actively working to defend as much as is appropriate on these assessments, but what changes is when they created the values for the 2001 revaluation we only got five percent (5%) back on income and expense statements from the non-residential properties. Income and expense statements are what you use to drive the value, to derive a value. You take the total potential gross income of a piece of property, you deduct their appropriate expenses and then the net operating income is capitalized into an opinion of value. There are three approaches to value...the one that most people are familiar with: the market approach, apples-to-apples like if you have your house refinanced or something like that and then there's the income approach that I was just explaining and then there's the reproduction approach. How much would it cost to reproduce something using modern technique and methods and providing for depreciation. Well, at the time that the revaluation set all their values there was still information that had not been reviewed because they didn't submit it. When they saw an assessment that may have been higher than what they felt was appropriate now they're coming forward with additional information to substantiate their case. Hence, we have 1,200 appeals still yet to go through. We had a little over 1,400 to start; that is the single, biggest issue that diminishes the construction that is out there that's being picked up.

Alderman Thibault stated, Steve, I wonder if you could explain to me just so that I will understand more of what I'm asking. You take a building like the Bond Building which is just being refurbished right now which was completely empty which I'm sure you had to abate their taxes because it was completely empty. Once it gets done...is that going to happen this year or is that going to happen only next year?

Mr. Tellier replied it will be stepped up incrementally because as of April 1st they had made some improvements, however, it still was vacant and not driving any income so that the current market value as of April 1st won't be anywhere near what it will be as complete and then it will step up again and then it will get picked up again by the following April 1st as being a complete building and that was the same with the Marguerita's building and a couple of other projects on Elm Street.

Chairman Smith stated I just have one other question, Steve. We were talking about the assessments...you have 1,251 left to go, when do you think you'll be able to process all of those assessments and in how much time?

Mr. Tellier replied the statutes provide for a line in the sand that statutorily denies them by time, so if they haven't heard from a local jurisdiction they can appeal at the next level, but that doesn't prevent the Board of Assessors from going beyond that and still addressing it at the local level. We're making every effort now, I listened to the comments from Alderman Lopez as well to try to restratify them by property types, we're doing the best we can as we find them. But, we still have our regular work to do, we have a position that we're going to have to absorb that retired, we can't fill so you're going to find Assessors that are helping people at the counter on occasion as well.

Chairman Smith stated you have \$716 million outstanding and we don't know what the assessments or settlements are going to be and that's money that we can desperately use at this time.

Mr. Tellier stated the \$700 million is the total, if you have a building that's worth a million dollars and they feel that it's 10% too high, so \$100,000 is really what's under appeal. If they feel that that is the part that they're appealing, not the total \$1 million, but we have no way to know from property-to-property how much is really the disparity in opinions of value, so we list the total assessment. So, out of that \$716 million it's only a percentage of that that's really under appeal, if you will...that could range from a high of 15 or 20 percent or it could be as low as two percent or it could very well be that they're...and a great many of them are...after thorough analysis that these appeals have no merit, that we have good data and substantiating data to deny the abatements and they would have to go to the next level of appeal and they may or may not win at that level.

Chairman Smith stated the number is 1,251 but you did settle 395 cases, how long did that take you?

Mr. Tellier replied we've been working on them non-stop as we can and with our other duties as well.

Alderman Lopez stated to follow-up on Alderman Smith's questioning there...out of the \$716 million it's possible that you could lose on one end like 100...if you do the appeal process and you change the numbers from the original assessment, you could lose more of that \$47 million that I indicated could go higher.

Mr. Tellier stated that's a possibility if the economy were to stagnate or go down, the economy and the real estate market is a very dynamic thing, so to answer your question simply the answer is yes, it could.

Alderman Lopez stated as long as we understand that his point is we have to get these appeals done as soon as we can and whatever it takes we've got to get it done.

Mr. Tellier stated we're working on it.

Chairman Smith called for a vote on the motion to accept the reports of the Board of Assessors. There being none opposed, the motion carried.

Chairman Smith addressed item 5 of the agenda:

5. Communication from Guy Beloin, Financial Analyst II, submitting monthly Financial Statements for the eleven months ended May 31, 2002.

Alderman Lopez moved to accept the financial statements for the eleven months ended May 31, 2002. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Mr. Beloin stated unless you have any questions on the balance sheet which would be pages 1 and 2 we can move over to page 3 which is the expenditures. A couple of things that I would like to point out there is that at this point this is at the end of May, the Mayor's Office only had 5% of its budget left. This is due to the fact that there was a severance pay included for \$20,000 and it looks like it might be a little short in June and then also the Welfare Department was added \$450,000 to the budget which brings it back into a positive balance and if you look at the bottom on page 3...CGL Insurance at this point is \$99,000 over budget...

Mr. Sherman interjected if I can comment on that, I talked to Harry Ntapalis earlier this afternoon on that. If you notice on that report the modified budget in 2001 was \$781,000 and the modified budget in 2002 is \$427,000. What the Aldermen did in 2002 is they actually stripped out of Harry's budget the dollars that he used to budget for the School Department and that he had budgeted for the Enterprise Funds. But, in charging for 2002 he continued to charge the way that he has, so in talking to him this afternoon there's some School items that we have to strip out of the expenses and there's few Enterprise expenses that also have to

be striped out. Once we strip those items out he actually is under budget for this year. So, that \$99,000 will be going away. So, when you see your June reports unless something catastrophic happens in the month of June he should actually be okay.

Alderman Lopez stated you indicated in the beginning that the Mayor's Office is going to be about \$20,000 short or something...

Mr. Beloin interjected no, more like \$7,000.

Alderman Lopez stated we've already given the \$30,000 to Finance Officer to balance things off, so we don't take any action, you'll take care of that.

Mr. Sherman replied that is correct and if you flip over to page 4 the very first line is the Salary Adjustment...that is where those funds will be coming from.

Alderman Guinta asked can you tell me why exactly the Mayor's budget is off?

Mr. Sherman replied when Lorraine left she got a severance package, she got her final benefits and that was actually carried forward from all of the years she had worked prior to working in the Mayor's Office, so it was a substantial sum of funds.

Alderman Guinta asked is that by week, is it dispersed according to how many years...

Mr. Sherman replied it's based on your accrued sick and your accrued vacation time, your unused time. So, based on the number of years of service you can have a substantial amount. Now, different union contracts cap it or count the days differently. Some may only allow 60-day payout and some may allow an 80-day payout, but it does go all the way back to her service with the School Department.

Alderman Guinta asked do you know how many weeks she was entitled to?

Mr. Beloin replied it would have been 60 days, I think.

Mr. Sherman replied 60 days for sick and I don't know what her vacation was, we can certainly go back and check.

Chairman Smith addressed item 6 of the agenda:

6. Communication from Robin Descoteaux, Financial Analyst I, submitting monthly CIP Report for the eleven months ended May 31, 2002.

On motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to move for discussion.

Alderman Lopez stated the only comment I want to make and I know Robin is very good with her reports, but I would like to see some of these numbers change a little bit, so we'll keep an eye on it especially in the computer area.

Ms. Descoteaux stated I have been working with them this week more closely and we've been working at closing out these projects.

Alderman Lopez moved to accept the monthly CIP Report for the eleven months ended May 31, 2002. Alderman Guinta duly seconded the motion. There being none opposed, the motion carried.

Chairman Smith addressed item 7 of the agenda:

7. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
 - a) department legend;
 - b) open invoice report over 90 days by fund;
 - c) open invoice report (all invoices for interdepartmental billings only);
 - d) open invoice report (all invoices due from the School Dept. only); and
 - e) listing of invoices submitted to City Solicitor for legal determination.

On motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to move for discussion.

Alderman Lopez asked do you have any comments you wish to make?

Ms. Wickens replied about the standard reports, no, not at this time. There have been no big changes other than the write-offs which we will get to next.

Alderman Lopez stated I did talk to you before but I'll just bring it up to the Committee relative to the accounts being sent to the City Solicitor...if you want to point that one item out there that you had talked to be about.

Ms. Wickens stated you had called me today and asked me about the items that we forwarded along to the Solicitor and I think your question was did I know what the total dollar amount...since we started this procedure...what was sent to the Solicitor and what has he collected. I wasn't sure of the total dollar amount was that we forward to Solicitor and I'm not sure what he's collected since...Jennifer was doing it, but since I've been doing it he has initiated quite a few court proceedings and sent many letters to try to collect these. He did initiate a payment plan with Joshua Irrevocable Trust, they were making consistent payments, it seems to have stopped and I was trying to touch base with Tom to find out why because they were paying right along and I don't think he's aware that they've actually stopped paying and he does have a contact with them...court proceedings do take time and I don't think that they're moving quickly because they just don't move quickly, but he does touch back with me probably every other week before the Committee meeting as to where we stand because we did talk about Mark Fava just the other day, they're working on something to do with him in California.

Alderman Lopez asked, Tom, could you just update us as to how this works with the out-of-state situations or what?

Deputy City Solicitor Arnold replied since Mr. Fava was last reputed to be in California, obviously, it doesn't make sense for our office here in New Hampshire to try and collect that. What I would anticipate is that once I verify his location in California that we would probably hire California collection counsel on a contingency basis so that the City not out of pocket any money, of course, it reduces the amount we finally collect, but given that he's in California something is better than nothing on this particular account. To follow-up on what Sharon had said we have initiated a number of court actions, unfortunately, right now as you may have read in the paper the other day court actions are taking about a year to get to trial.

On motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to accept the reports submitted by Ms. Wickens as submitted.

Chairman Smith addressed item 8 of the agenda:

8. Communication from Sharon Wickens, Financial Analyst II, submitting the 4th quarter FY02 write-off list for the Accounts Receivable module.

On motion of Alderman Guinta, duly seconded by Alderman Thibault, it was voted to accept the 4th quarter FY02 write-off list for the Accounts Receivable module as submitted.

Chairman Smith addressed item 9 of the agenda:

9. Communication from Kevin Buckley, Internal Audit Manager, submitting the Internal Audit Report relative to the Traffic Department (Canal Street and Victory Garages).

Mr. Buckley stated this is a report of the Victory and Canal Garages and has four (4) observations two of which are reportable internal control conditions as to management issues that I just brought up to try and help them control the garages better. Observation #1 has to do with employee benefit reimbursements and I'd like to point out that at the last minute when the report was all put together, I finally got a reply from the company and included it at the very end of the report as an addendum so you can see their reply to that observation.

Alderman Lopez in reference to page 1, first paragraph under Audit Organization... "the company has been operating without a control for several years." What is several years?

Mr. Buckley replied off the top of my head I can't remember when the last time was they had a contract, but I think it was close to seven years. They run year-to-year on an agreement to follow the original contract though.

Alderman Lopez in reference to page, you indicate in your report the day-to-day operations under audit is responsibility of the company... "the company is responsible for maintenance..."...the question is why isn't the City responsible for those garages?

Mr. Buckley replied they have elected to use a management company to run the garage and the garage handles...the Traffic Department takes their budget and tells them what they would like them to do with the garage and the company actually does the day-to-day operations and makes all of the decisions and submits reports to the Traffic Department so they are aware of what's going on.

Alderman Lopez stated I'm looking at the agreement and it seems that they're supposed to be sending their complete budget over to the Traffic Department indicating what they have to do, did you look at that particular document, do they submit an actual budget?

Mr. Buckley replied yes they do. The three documents that I see that they would submit regularly was they would submit the budget every year and there's a date that they're required to submit it by and I saw this year's budget that they sent in. They submit a monthly expenditure report that breaks the expenditures down into categories and that's what the department uses to reimburse them for their expenditures and they submit a daily revenue report that breaks down the cash deposit into the different categories.

Alderman Lopez in reference to page 5 stated I want to say that this is a very good report, Kevin, it was harder to read this report than others, but it was a good report, it just throws everything around and I understand because of the contract as to whether the contract is being followed to its "T" and when I say that and I look at the contract and I look on page 17 of the contract where during the renewal year it determines "however the company fee shall be increased by percentage"...are you familiar with the percentage increase of the fees?

Mr. Buckley replied yes it's linked to the CPI for the prior year.

Alderman Lopez stated I think that they've been wrong in calculations on some of the statistics that you got, could you explain why.

Mr. Buckley stated the fee that we pay the garages...their management fee is based...there was a figure set in the original contract and then it was supposed to be increased every year by the change in the CPI at April between the prior year and the current April. When the contract was done the last time, when they stopped using the contract and they were just going on the agreement from what I understand is they agreed to hold the management fee where it was and abide by the rest of the contract as it was at that date. So, they haven't been increasing their fees for seven years since the last time there was a valid contract, so they've been working on the same fee. The other part in there that I noticed...there's a part in that contract that says that they're suppose to...and I can't remember the exact wording...but it has to do with direct expense...reimburse direct expenses...and that's the heart of Observation #1 is that in the category of Worker's Compensation the actual direct expense that the garages pay to their insurance carrier is substantially less than what we are reimbursing them.

Alderman Guinta asked do you know what the current fee is that we're paying? Unless, I missed it in the report but I didn't see it.

Mr. Buckley replied I'm not sure but I think...I'd have to get back to you, I can't remember exactly...if you look on pages 19 and 20 under Expenditure where it says "Management Services" there's an 8-month budget there that shows for Victory Garage \$8,360 and \$12,360 for the combined Canal and Victory Garages for 8-months, so if you bring that out you can get the years.

Alderman Guinta stated under the observation section or respect to internal control comments, I guess I would like to try to understand...in terms of the Worker's Compensation you say that the company is charging the City 12.61%, I guess I'm not sure how to ask the question but I guess I'm wondering why exactly are we being overcharged or are we overpaying, I assume there's a difference.

Mr. Buckley replied the company has a policy of charging the base rate (undiscounted insurance rate) and if you understand how most of this type of insurance works (base rate) and then the company has a multiplier that they apply to it and that's the actual base rate, but then depending on their experience of how many Worker's Comp cases they write the insurance carrier will either discount it or give you an additional premium on it. The two garages in question here have an unusually low experience rate (35%) and 35% of the premium is what their experience is, so they discount them 65% is what they are actually charging the garages for and the garage is saying that they don't take the discount into effect... and their looking at all of their garages over their whole system which encompasses the whole country that they charge just the undiscounted rate to everyone and so if we were over, if we had a high experience modification and they would be paying a premium they would still charge us the base rate and that is their policy. But, if you go by the contract it says "direct expenses"...the direct expenses is less than what their policy is for paying.

Alderman Guinta asked has this been going on for years?

Mr. Buckley replied yes, I think it's been their standard policy for years. Now, the mod changes every year and so...

Alderman Guinta stated I can't imagine it fluctuates that much.

Mr. Buckley replied I don't think so either, there's usually a 3-year lag in change. But, the other thing is I think they're using an old base rate because the old base rate which also changes from year-to-year is higher than the base rate that I looked up for them and I went to insurance people I know and they looked up the base rate for me.

Alderman Guinta asked in your opinion if we were to go back five years and take a look at some of these internal costs and we were to determine that this \$11,000 figure is roughly something that we've been overpaying for the last five years is there any way that we can recoup this?

Mr. Buckley replied I think that's a legal question that I don't think I can answer and there must be some sort of statute of limitation too on going back.

Alderman Guinta stated I assume because we paid it it is out fault...not our fault, but once you pay a bill it's very difficult to recoup it especially because we don't have a contract with these people, is that a fair general...

Deputy City Solicitor Arnold stated I think very generally it's probably fair although we have been in practice abiding by the prior agreement but yes there may well be a statute of limitations problem also.

Alderman Guinta stated I guess my point is if we were going to create a contract with this company for the future we could probably take this into consideration that we've overpaid at least this year and if we dug a little deeper we've been probably been overpaying on some of these costs for years in the past and we could probably take that into consideration in future contract negotiations, however, we might within the next 6 to 12 months we may not be doing business with this company any more.

Mr. Buckley stated that is my understanding that that's a possibility.

Alderman Guinta stated the current recommendation from Tom Lolicata is to go with Republic, has he given us those contracts yet?

Alderman Lopez stated I called him today and they have a letter from National to go for three more months, he has the contracts already for the other company...the Committee didn't accept it...

Alderman Guinta stated I would be curious to see Republic's contract...what the language is particularly with some of these internal costs. Now, with respect to National do we pay this quarterly do you know?

Mr. Buckley replied we pay monthly.

Alderman Guinta stated I assume at some point we could probably do something about this month or next month or the next three month's that we are going to be dealing with them...I know it's not going to amount to a lot of savings, but we could probably do something about these two bills, don't you think.

Mr. Buckley replied I would think that you probably could.

Alderman Guinta asked how do we deal with this problem?

Deputy City Solicitor Arnold replied perhaps on the Committee's direction I could get in touch with Mr. Buckley and Traffic and take a look at how best to proceed to try to collect past sums.

Alderman Guinta stated I don't want to overpay for the next three months either if we don't have to, so is that something that we could take into...I don't want to be in default of a payment of a bill but by the same time if we're being overcharged on a monthly basis I don't keep paying that.

Alderman Lopez stated we can probably go ahead and direct the Internal Auditor to work with Traffic, Finance and the City Solicitor to make sure that they're not overcharging us the next three months.

Alderman Guinta asked is that workable?

Mr. Buckley replied yes and they're very good about giving us any reports we want. If we asked them for the payroll reports as they come in we can ensure that we're being charged the correct rate.

Alderman Guinta stated I assume, Alderman Lopez, that for the next three months we're going to have some sort of written contract with National.

Alderman Lopez stated that I don't know the City Solicitor would have to ask that question because from what I understand Tom got a letter, nobody knows what's in it right now, but I assume that they want to go ahead and extend for three months, I don't know who has the authority...

Alderman Guinta asked extend what?

Alderman Lopez replied extend the verbal contract or the existing contract that they don't have a contract...

Alderman Guinta stated the problem I have is that's essentially, I think, what's going on. We're extending for three months the current contract which essentially is a verbal agreement based on the prior contract from year's ago which we're not adhering to in the first place.

Alderman Lopez stated back when these contracts were all done we had a City Coordinator who did it and I understand through the City Clerk's Office that they are in the process of making a complete ordinance of contracts to that degree and maybe Leo can enlighten us a little bit but they will be bringing that in. But, I guess the main question would be for the City Solicitor...can we verbally give somebody a contract...a department head without going through the Board.

Deputy City Solicitor Arnold replied under certain circumstances, yes. The contracts that come to the Board are generally contracts in excess of a year because a department head can't encumber any funds beyond their appropriation. So, if it's a contract for under a year, yes a department head could enter into contract subject to the conditions of the Procurement Code.

Alderman Lopez stated along those same lines if the Traffic Department head were given a verbal contract for three years that would be binding, but if we wanted to stipulate as Alderman Guinta stated we want to make sure we're paying the right money and not what has been done in the past.

Deputy City Solicitor Arnold stated I think that's probably relatively a simple matter of looking at the agreement language and looking at their internal reports to ensure that doesn't happen.

Alderman Lopez moved that the Internal Auditor along with Finance and City Solicitor to ensure that the contract is being adhered to. Alderman Guinta duly seconded the motion.

Alderman Thibault stated good point Alderman Guinta, but I would ask Mr. Buckley in asking this company if we are being overcharged why can't we go back to when this started. If they were overcharging us we can ask...all they can say is no, we'll do it from this point to that point, but we should ask why can't you give us back this money if you were overcharging us.

Mr. Buckley stated if you look at their letter they're looking into the matter further because I think they realized that they've overcharged.

Chairman Smith in the internal control comments we had three employees, I believe, who were contributing to the plan and the City was overcharged and I would assume that the Traffic Department is the agency supposed to be controlling this.

Mr. Buckley replied yes they get the reports.

Chairman Smith asked what type of procedures would you initiate so we wouldn't have this?...there's three employees and it says up here the City paid the company \$2,013.

Mr. Buckley stated if you look at their letter at the end too they explain that and there was a piece that when I requested from them to tell me all the costs associated with this because they neglected to tell me about another retirement charge they have, I thought they were only getting the 401K but they're telling me now that there's another 2.5% retirement charge. Now, in order for me...I would have to test it, I would want to see that document that says that and go through all of that which I didn't have time, obviously, because I got this letter so late. But, that one...

Alderman Guinta asked where is that letter?

Mr. Buckley replied at the very end dated June 11, 2002 written by Mr. Crean it says "the statement regarding the retirement charges has been limited to the 401K portion only.", which is a portion they had told me about and the portion I tested. And it says "There is no mention of the company pension plan which includes all employees." Well, this letter is the first time I've heard about a company pension plan. So, if I was to go back and test that out they would have to give me a copy of the plan and I would have to ensure that all of the employees that are on there are actually being paid for in this plan.

Alderman Guinta in reference to the 2.5% fee that they're charging for the retirement plan asked is that based on the old contract that we had with them, are they relying on...? Is that language that was in a contract that we previously agreed to?

Mr. Buckley replied if they're paying retirement it would be a direct charge to the garages and they would have a right to be reimbursed in that and that's in our old contract. They have a right to all direct charges from the garage(s).

Clerk Bernier commented that the Traffic Ordinance will be presented to the full Board on the 16th of July which is what Mr. Lopez asked and the second thing is in the discussion, I understand you had the Traffic Department involved but in the motion you have the Internal Auditor, Finance and the City Solicitor. Do you wish to include the Traffic Department?

Alderman Lopez replied yes.

Chairman Smith called for a vote on the motion to ensure and review that the contract with National Garages for the next three months is being adhere to through the Internal Auditor, Finance, City Solicitor and the Traffic Department. There being none opposed, the motion carried.

Alderman Lopez stated in looking through their contract it is very possible that over a number of years we could be owed so much money and they could be owed some money too (to be fair and equal), do you agree with that?

Mr. Buckley replied yes.

Alderman Lopez asked when they send out the statements on the leased spaces and all do they follow-up with how many statements they give to Traffic...in reading the report I can't get that out of there as to whether they just send them the money and say here's the money we collected.

Mr. Buckley replied they just send them the money. They send them no other reports...this money goes to leases and this much goes towards daily's...they breakdown the daily cash that they give them by the different categories of revenue but I don't feel that Traffic has been asking for sufficient management reports to live up to their oversight responsibilities for the garages. They have an idea of how many leases because the leases don't change that much and some other things, but I feel they could be doing a lot better job of keeping track of what goes on at the two garages.

Alderman Lopez stated in looking over your report also it's indicating that we're losing money, in your opinion, is the garage over staffed or under staffed.

Mr. Buckley replied in my opinion I feel that they probably have too many people on each shift, they could do with less people.

Alderman Lopez stated if it was managed properly then maybe we could be making money.

Mr. Buckley stated I don't think you would ever make money on the parking garages, we could probably be losing less money though.

Alderman Lopez stated I believe there's a lot of questions here and I know some of the other Aldermen here know that the other committee is looking at that three-month lease and also that a new company has bid for it, taking that into consideration I would like to have the Internal Auditor go beyond 8 months and look at three years (minimum) as to what the statute of limitations is and review the contract involving...we've already said the three months, but involving a longer period of time because I realize you can't do it overnight and it's going to take a little time working this out, but I'd like him to work with the City Solicitor to make sure that that verbal contract, I presume, is still a contract that was entered into in 1985 that they're following and updated in 1994, but anyway giving the authority to the Internal Auditor to ensure what the City Solicitor said that this contract is totally followed and to review up to the statute of limitations as to what is going on in the parking garages to make sure that we're getting our fair share and at the same time the company is getting their fair share and the contract was followed.

Chairman Smith asked is there a problem with that?

Deputy City Solicitor Arnold replied no, not at all.

Alderman Thibault stated I wonder if when you go through this if you could enlighten us as to exactly how much money we're losing with the garages and my other question would be how many City employees employ these garages...how many City employees use these garages and what's the fee?

Mr. Buckley replied City employees are not charged for parking, they have an agreement...

Alderman Thibault stated what I'd like to know is how many of them utilize them.

Mr. Buckley replied at Victory Garage there are 70 employees and at Canal Street Garage they have 122 employees...now there is not 122 and 70 parked everyday but that is how many are reserved...

Alderman Thibault asked can they be used by someone else.

Mr. Buckley replied the space can because you go in with a pass. At any one time there is less than that but there is the possibility that if every City employee that had a pass went into the garage at the same time that is how many people would be in there.

Alderman Guinta in reference to Observation #4 for Civic Center Events stated it's noted here that "the company is allowed to pay their employees a premium rate to work during civic center events." Can you explain that to me a little bit, how is that determined.

Mr. Buckley replied I think it was when the whole civic center thing first came out and they said they were going to charge for the parking that in order to ensure that they could get people to work the event because it's outside of their normal working hours, for at least part of the event, that they would pay them a premium rate of \$15.00/hour and normally they're getting \$10.00/hour, so the \$15.00/hour approximately would be time-and-a-half for overtime.

Alderman Guinta stated I just want to make sure I understand this...a person that works at the garages employed by National and National is now paying their employee \$15.00 as opposed to the average of \$10.00 as an incentive for an employee to work either on a weekend or late a night and this is before we hit the 40-hour mark in their work week. Okay, so I assume there's some sort of charge back to us.

Mr. Buckley replied yes we get that charged back, a direct charge to the garage so we end up reimbursing them the \$15.00 and I believe that had come out of the Traffic Committee, if I'm not mistaken...the \$15.00.

Alderman Guinta asked is National having a problem for people to work evening hours or weekend hours, they're in the garage business I would assume a lot of their business is on weekends and evenings.

Mr. Buckley replied they don't appear to be.

Alderman Guinta stated I'm surprised that they have to entice their own employees to work. The way I look at this they saw the Civic Center coming in and they said...City of Manchester we're going to charge you \$15.00 because we can.

Mr. Buckley stated I'm not sure how that transpired.

Alderman Guinta stated maybe it didn't transpire that way, but if I have an employee and I ask that employee to work 40 hours a week and they agree to work for me, I wouldn't think I would have to further entice that employee to meet that 40-hour requirement and it sounds like that's what National is doing and the City of Manchester is getting charged for that extra \$5.00/hour. I don't know if it amounts to anything significant, but I think it's probably at least something I have a concern about with future agreements.

Mr. Buckley stated the real problem I point out is by Labor law if you go over 40 hours you get time-and-a-half at the rate that you're being paid.

Alderman Guinta stated that's fine.

Mr. Buckley stated so now you're getting paid \$22.50 for it if you're into the overtime when you're getting paid the \$15.00/hour.

Alderman Guinta in reference to the Revenues and Expenditures sheet stated it says total revenues for the 8-month budget is \$850,000, is that expected and then actual is...let's take the actual (\$675,000) and then the total expenditures is \$364,000 leaving us +\$310,000, so I assume these numbers don't include additional bills...

Mr. Buckley stated it doesn't include the debt service, so if you go to the footnote at the end...footnote #5 on page 28 has a Debt Schedule for just the Canal Street Garage which is the only one that has construction debt still on there...there is other debt that I couldn't pull out an exact number for other maintenance things that we've bonded for the two garages, but you can see that there's a considerable amount that we pay annually for each garage.

Alderman Guinta stated for 2002 we've already paid the principal for this year. So, let's think 2003...it's \$350,000...it looks like it's possible, with some changes in management improvements...maybe we won't be able to make money, but it looks like we at least have the potential to break even. We're kind of close right now.

Mr. Buckley stated you have to remember the idea behind the garages was to have a cheap place for people to come Downtown and park.

Alderman Guinta stated I'm talking strictly management changes, I'm not talking about price changes.

Chairman Smith in reference to the Statement of Revenues and Expenditures for both the Canal Street Garage (\$52,000 under revenues projects) and \$88,000 for the Victory Garage...approximately \$140,000 less what we expected in revenues.

Mr. Buckley replied yes...\$175,000 on the revenue combined less than what we expected and it's probably less than that because the number for civic center parking, the budget number is one big lump budget and there's no place that I could find that it's broken out by garage, so that doesn't include the budget that you have in there for civic center events either that would throw that number even deeper.

Chairman Smith stated I would just like state a couple of questions as a follow-up to Alderman Guinta...it looks like we have a big management problem as far as the garages are concerned and we definitely are over staffed according to your statements. We're not getting our money for management. We realize we're operating these garages at a loss, but we can't continue to do this at this stage each year, so I think we have a management problem.

Mr. Buckley stated I think we could do a better job at the garages.

Alderman Lopez stated I had a motion on the floor as to review the audit, the contract for the last three years or the statute of limitations and at the same time consult with the City Solicitor and report back to this Committee and I realize this is going to take some time, just give us an updated report. Alderman Thibault duly seconded the motion.

Alderman Guinta asked, Alderman Lopez, is there a reason you choose three years as opposed to a longer period of time?

Alderman Lopez replied not in particular, I think three years...statute of limitations, if the Solicitor could verify that.

Deputy City Solicitor Arnold replied generally speaking yes.

Chairman Smith called for a vote on the motion. There being none opposed, the motion carried.

Alderman Lopez moved to table the Internal Audit Report relative to the Traffic Department until such time as reports have been received back. Alderman Guinta duly seconded the motion. There being none opposed, the motion carried.

TABLED ITEM

On motion of Alderman Guinta, duly seconded by Alderman Lopez, it was voted to remove the following item from the table for discussion.

10. Communication from Sharon Wickens, Financial Analyst II, submitting a Collections Policy for review.
(Tabled 05/21/02 pending responses from Airport and Water Works.)

Alderman Guinta stated I guess my first question is the reason we tabled this was to await reports from Airport and Water Works and I'm just wondering where we are with respect to those reports.

Ms. Wickens replied Airport had submitted a report a while back, so we do have them but I haven't seen anything from Water as of yet and I am going to call them.

Chairman Smith asked, Mr. Dillon, would you like to come up and report.

Mr. Dillon stated we had previously responded to Finance regarding our concern with the policy as it relates to the Airport. We think the Airport has some very specific issues as it relates to our finances out there particularly related to items such as PFC collections and CFC collections from the rental cars and we continue to ask that if the Committee does pass a Revenue Collections Policy that the Airport be exempt and be able to have its own policy as it relates specifically to Airport issues.

Alderman Thibault asked didn't we already do that on the Board, Kevin, at the last meeting. Didn't we already do that?

Mr. Dillon replied no that was for a different purpose.

Alderman Lopez stated I wanted Kevin to come up and say that again so you could hear it and they were going to work out the details with the Finance Officer, so when we pass this report keep in mind that he's asking to be exempt.

Alderman Guinta moved that this item remain tabled until report from Water Works is received. Alderman Lopez duly seconded the motion. There being none opposed, the motion carried.

There being no further business to come before the Committee, on motion of Alderman Thibault, duly seconded by Alderman Lopez, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee